

Message Text

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E.O. 11652: GDS

TAGS: ENRG, RP

SUBJECT MOBIL OIL IN THE PHILIPPINES

REF: (A) STATE 74707; (B) MANILA 3182

1. REFTEL EXPOSES MORE THOUGHTFUL APPRAISAL OF ITS PROBLEMS IN PHILIPPINES THAN MOBIL HERETOFORE HAS SEEMED WILLING UNDERTAKE. FOLLOWING IS INTENDED TO FILL OUT THE RECORD, TO PROVIDE SOME ADDITIONAL BACKGROUND AND TO PUT CERTAIN FACETS OF PROBLEM IN A MORE REALISTIC PERSPECTIVE THAN MAXON HAS LEFT THEM.

2. REPORT PARA 2 REFTEL (A) JIBES WITH WALES ACCOUNT OF MEETING ALTHOUGH MANILA 3182 DID NOT GO INTO ATMOSPHERICS THAT MEETING. THE ANTAGONISMS BETWEEN WALES AND VELASCO ARE OLD, DEEP AND BEYOND REMEDY. PATERNO RECOGNIZES THIS BUT IS UNABLE FOR OBVIOUS REASONS TO TAKE OVER THE NEGOTIATION.

3. PATERNO'S REASON FOR DUCKING NEW YORK MEETING IS RELATED TO PRESIDENT'S CONTINUING IRRITATION WITH MOBIL'S PRESENTATION TO HIM DURING EARLIER VISIT STAN WILSON. THIS DAMAGE PATERNO FEELS AND INDICATES HE REPORTED TO WILSON IN NEW YORK, IS PROBABLY BEYOND REPAIR. IN HIS MEETING WITH WIL-
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SON FOLLOWING MARCH 27 TALK TO AMCHAM NEW YORK, PATERNO

DID REITERATE GOP DESIRE TO BUY THREE PERCENT AND COMPLETE A 60-40 ARRANGEMENT. HE SAYS, HOWEVER, THAT WILSON OFFERED AT THAT TIME TO SELL ALL REMAINING MOBIL INTEREST IN BATAAN REFINING TO PNOC AT A QUOTE FAIR MARKET PRICE. UNQUOTE WE NOTE THAT THIS OFFER WAS NOT INCLUDED IN MAXON BRIEFING.

4. DEPARTMENT SHOULD HAVE IN MIND THAT MOBIL'S LAND PROBLEMS ARE IN THREE SEPARATE CATEGORIES: (A) BRC LAND PROBLEMS CAPABLE OF BEING SOLVED BY TRANSFER OF THE THREE PERCENT SHARE -- THIS IS GOP'S PREFERRED SOLUTION AND ALL FACTORS CONSIDERED IT WILL ONLY ADD TO SOURCES OF IRRITATION IF MOBIL INSISTS ON SOME OTHER SOLUTION; (B) PRIVATE LANDS OWNED BY THE FIRM IN VARIOUS PARTS OF COUNTRY WHICH MOBIL NOW TRYING TO BRING UNDER A PENSION TRUST ARRANGEMENT; (C) FORESHORE LEASES FOR WHICH THE CALTEX DECREE (MANILA 4164) SEEMS A WORKABLE PRECEDENT.

5. IT IS A TRIFLE SIMPLISTIC AT THIS STAGE TO SUGGEST THAT SHELL'S MOVE TOWARD 60-40, WHICH BEGAN SEVERAL YEARS AGO, EXPOSED MOBILE OR CLATEX IN THIS RESPECT. EVENTS WORLDWIDE ACHIEVED THAT AND ANY 100 PERCENT FOREIGN-OWNED OIL COMPANY IN PHILIPPINES HAS BEEN A LIKELY DINOSAUR FOR SOME TIME. BOTH FIRMS HAVE LONG ESTABLISHED SHELF PLANS TO FILIPINIZE THEIR COMPANIES, ASIDE FROM THE LAND ISSUE. GULF/FILOIL ARRANGEMENT, UNDER WHICH FILIPINOS ACQUIRED A MAJORITY IN 1960'S, WAS ACTUAL PACE SETTER IN THIS RESPECT.

6. IN DISCUSSION PAST FEW DAYS WITH MOBIL REPS WALES AND MOBIL VP PATRICK WILSON, WE HAVE REITERATED POSITION STATED PARA 6 REFTEL A AND HAVE SUGGESTED THAT IT WOULD BE UNREALISTIC OF MOBIL TO EXPECT A PRICE FOR THE THREE PERCENT SHARES THAT IS GREATER THAN THE PRICE MOBIL EXPECTED TO PAY FOR SHARES UNDER THE SEVEN PERCENT OPTION. WE HAVE SAID FURTHER THAT WE DO NOT REPEAT NOT SEE HOW MOBIL CAN CRY FOUL IF GOP OFFERS NO LESS PER SHARE THAN MOBIL HAS OFFERED. MOBIL REPS ACCEPT THIS POINT, BUT WOULD PREFER OF COURSE TO BARGAIN FOR A PRICE BASED ON CURRENTLY HIGH REPLACEMENT COSTS.

7. READING CLOSELY BETWEEN THE LINES OF PATERNO ACCOUNT OF HIS NEW YORK MEETING WITH STAN WILSON, AND TO REMARKS OF CONFIDENTIAL

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WALES AND PATRICK WILSON HERE, IT APPEARS MOBIL HAS BEEN MOVING FOR SOME TIME TOWARD A COMPLETE SELL OUT. STAN WILSON'S INTEMPERATE STYLE WITH MARCOS SEEMS DESIGNED AT BEST TO PROVOKE AN OFFER TO BUY, AND IT IS CLEAR ENOUGH THAT THE PERSONALITY CONFLICTS AS WELL AS THE PRICE SQUEEZE DO NOT SUGGEST TO MOBIL AND AMICABLE OR PROFITABLE FUTURE PARTNERSHIP. OF SOME VALUE IN REDUCING CONFRONTATION, MOBIL NOW SEEMS AGREEABLE TO UNIVERSAL OIL PRODUCT OR

LOOMIS TAKEOVER OF THE SERVICE AND TECHNICAL CONTRACT. THE NEXT STEP, HOWEVER, PROBABLY SHOULD BE MOBIL AGREEMENT TO THE SALE OF THREE PERCENT. WE DO NOT EXPECT THAT TO OCCUR BEFORE PATERNO REACTS TO THE COMPLETE SALE PROPOSAL. ON BALANCE WE THINK GOP WILL WANT TO SETTLE AT 60-40 FOR THE TIME BEING, BUT VELASCO'S WELL-KNOWN PREDATORY URGES MAY YET PREVAIL.

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